

West Valley City Grants Department

Rehabilitation Loan Program Policy & Information Packet

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Section I- Program Objectives

West Valley City has established the Rehabilitation Loan Program (RLP) to provide additional income assistance to low to moderate income homeowners. RLP is designed to provide funding to low-income families for improvements to eliminate blight, conserve energy and to preserve the housing community within the city limits of West Valley City.

Section II- Eligible Activities

The West Valley City Housing Authority will use funds provided by the Community Development Block Grant (CDBG) and HOME funds.

West Valley City will allow RLP to provide up to \$25,000.00 on a loan to eligible homeowners within the limits of West Valley City. The loan may be used to correct present home problems, accessibility modifications, code violations of health and safety concerns and/or energy improvements. In general, most repairs are eligible except for unnecessary luxuries.

Section III- Ineligible Activities

RLP funds cannot be used to refinance any existing debt.

Section IV- RLP Applicant

Target Population

The population served will have income at or below 80% median income as determined by the Department of Housing and Urban Development (HUD) and adopted by the West Valley City Housing Authority.

Income Limits

As set by West Valley City, no approved applicant will have an income of more than 80% median income as determined by HUD and adopted by the West Valley City Housing Authority (24 CFR, 92.2(9)).

Application Process

1. All applicants must begin by submitting an application with the West Valley City Housing Authority. An incomplete application will **not** be accepted. A complete application will have the following:

- All forms within the application packet must be completely filled out
- All documents listed on the checklist must be turned in such as:
 - Property tax statements
 - Current mortgage statement

- Proof of income for the previous 60 days
- Copy of checking and savings account for the last 2 months
- Proof of homeowners insurance
- Last two years Federal Tax returns
- Divorce decree if applicable
- Bankruptcy documents if applicable.

2. The applicant must schedule an appointment with the Grants Technician to review the application.

3. A short and informal interview of general questions regarding ownership and eligibility will be conducted. At the end of the interview, the Grants Technician will further explain the nature of the program and application process.

4. A credit report will be processed for all applicants older than 18 years of age in order to establish a history of credit risk.

5. The Grants Technician will submit the application to the loan committee for program denial and/or acceptance. The applicant will be notified within two weeks of submitting the application.

6. Once the applicant has been notified of program acceptance, the Grants Technician will schedule the following property inspections:

- Outside Inspection

The inspection of the **outside** of the property will be performed by a West Valley City Code Enforcement Officer. The officer will go to the property and write a detailed information sheet explaining any and/or all deficiencies with the property. These items need to be resolved and brought into compliance.

- Inside Inspection

The inspection of the **inside** of the property will be conducted by a West Valley City Building Inspector and the Grants Technician to be able to determine the qualified repairs and be able to select a contractor to complete the work. All items that required repair or replacement and any Uniform Housing Code (UHC) or Housing Quality Standards (HQS) violations will be listed on the Description of Work document.

NOTE: All code issues must be addressed inside and outside.

7. A second visit to the home will be scheduled for a contractor walk through. Bid submittal deadline will be approximately one week after contractor walk through.

8. The Description of Work will be discussed and confirmed with the homeowner before sending out contractors for bids. A minimum of three licensed contractors will be invited to bid.

9. The Grant Technician will review all qualified bids with the homeowner. The contract will be awarded to the lowest bid.
10. After the homeowner has chosen the contractor, the contract will be signed by the homeowner, contractor and the West Valley City Housing Authority.
11. Once the contract is signed, the contractor will start work within 30 days and complete all work within 90 days from signed contract.
12. Upon completion of the work, the Building Inspector, Grant Technician and homeowner will complete a final inspection of the property. The final inspection must be signed by the homeowner, the Building Inspector and Grant Technician.
13. The contractor will submit an invoice with lien waivers for all labor and materials (including all sub-contractors) for the work to the Housing Authority. Payment will be paid to the Contractor within 30 days of signed final inspection.
14. All files with no activity for the last 6 months will be automatically closed. If the applicant is still interested on RLP, he or she must re-apply and submit all required paperwork once again.
15. The contractor's warranty period starts after successful final inspection.

Loans

The West Valley City Housing Authority Loan Committee reviews, approves and/or denies the home rehabilitation loan applications. The Loan Committee will review each application on a case by case basis and will determine the type of loan offered. The loan can be:

- 1) **Deferred Payment Loan:** Households with a gross annual income at or below 50% of the area median income as determined by HUD (see income table) may qualify for a deferred payment loan with 0% annual interest. Repayment of the loan is required when you sell, transfer title, lease or vacate the home. All deferred loans will be evaluated yearly and terms of financing are contingent based on gross income and proof of homeowners insurance.
- 2) **Installment Loan:** Households with a gross annual income between 50%-80% of median income as determined by HUD (see income table) may qualify for an Installment loan up to 3% interest. Repayment of an Installment Loan is made with regular monthly installment payments. Repayment of an installment loan in full is required when you sell, transfer title, lease or vacate the home.

Loan Limits

- Loan limits can be any amount up to \$25,000 at an interest rate of zero-to-three (0-3%) percent which will be determined by the West Valley City Housing Authority Loan committee.

- Loan amounts cannot exceed 95% loan-to-value ratio of the home without special approval of the West Valley City Housing Authority Loan Committee.

Terms of Loans

All deferred payment loans will be re-verified annually. The West Valley City Housing Authority may require these recipients to submit a copy of their previous years Federal Income Tax statements, current income and/or homeowner's insurance. The West Valley City Loan Committee will review and determine if any changes will be made to the existing terms of the loan based on income guidelines.

Breach of Contract

Upon occurrences of any of the below stated items, the West Valley City Housing Authority and/or its assignee reserves the right to demand the loan due immediately if:

- Any actual or attempted transfer, whether voluntary or involuntary, including by operation by law, or upon death of the undersigned of certain real property used to secure this note pursuant to a Trust Deed of even date herewith, signed by the undersigned (said real property is hereinafter referred to as "Secured Property").
- On a deferred loan, if an occupant's income becomes above the low-to-moderate income guidelines as established by the Department of Housing and Urban Development (HUD) and adopted by the West Valley City Housing Authority's income guidelines.
Note: In case of a reduction of income, a home owner may be considered for a deferred or interest only loan.
- Any sale or attempted sale of the secured property.
- Any change in title of the secured property without the prior approval of the West Valley City Housing Authority. These changes might be, but are not limited to: sale, lease, rent or abandonment of property.
- The recipient no longer reside(s) at the secured property.

Deed of Trust

The loan will be secured by a Deed of Trust (will secure second position on title) which it will be signed by the home owner(s) of the property. The Deed of Trust, notice of default/notice of sale and promissory note will be notarized, recorded and filed at the Salt Lake County Recorder's Office and a copy will be placed in the applicant's file.

Subordination Agreements

West Valley City will only subordinate under hardship reasons. Hardship reasons include, but are not limited to:

- Job loss
- Significant reduced income
- Refinancing will eliminate unreasonable fees
- Catastrophic events

The homeowner will call to schedule an appointment to meet with the Grants Technician to explain the reasons for requesting subordination. The homeowner must bring:

- Letter stating reasons of subordination
- Copy of Good Faith Estimate
- Letter from lender stating streamline refinance-no cash back, rate & term reduction loan only
- Copy of mortgage statement showing principal balance pay-off and interest rate
- Loan amount cannot exceed current principal balance plus reasonable fees (per FHA guidelines)
- Drop in interest rate by one (1%) percent or more (fixed rate-no ARMS's, buy downs, etc.)
- Income Analysis (MCAW) worksheet
- 1003 Application

The loan committee requests ten business days after receiving all documents to review the subordination agreement and to make a final determination. The Housing Authority will not subordinate loans in a refinancing, unless the proposal is in the best interest HUD funds and homeowner.

After approval, the subordination agreement must have the complete loan information filled in. The subordination is good for 30 days from the date of signature of the West Valley City Housing Authority Executive Director. Any subsequent changes in lender or loan amounts need to be re-submitted to the West Valley City Loan Committee for the review.

The homeowner also has the option to pay off the West Valley City Housing Authority loan as part of the refinancing.

Section VI- Limitations of RLP

Availability of Funds

The RLP program fiscal year begins July 1st of each year. Funds are processed and given on a first come, first serve basis and/or depletion of funds.

Terms of Assistance

- The applicant must have owned the home for at least one year prior to requesting assistance.
- The applicant's home must be deficient in at least one Uniform Housing Code (UHC), or must fall below the minimum Housing Quality Standards (HQS).

- Each applicant is eligible once in a lifetime to receive RLP assistance, regardless of change of addresses and/or loan status.
- Homeowner must be current on mortgage payments and taxes.
- No liens on the property.
- The property must be the applicants' primary residence.
- All applicants must meet income guidelines.

Eligible Repairs

Eligible repairs are those that meet HUD guidelines as directed by the Home Repair Program and scope of funding.

Annual Income

The combined annual income of an applicant cannot be more than 80% median income as determined by HUD and adopted by the West Valley City Housing Authority/Grants. The annual gross income shall be determined in accordance with the Code of Regulations 24 CFR 5.609.

- Annual income is defined as the “gross” amount of income of all adult household members 18 years or older, which are anticipated to be received during a 12-month period.
- Annual income includes, but is not limited to:
 - The full amount before any payroll deductions of wages
 - Salaries
 - Social Security
 - Overtime pay
 - Commissions
 - Fees
 - Tips
 - Bonuses
 - Other compensation for personal services
 - Net income from the operation of a business or profession
 - Other income

Debt Ratio Guidelines

West Valley City will use the following two types of debt ratios:

- Front-End Ratio: The standard guideline is 31%. The front-end ratio is the gross income divided by the new PITI (principal, interest, taxes and insurance, Homeowners Association (HOA), mortgage payment).
- Back-end Ratio: The standard guideline is 43%. This is the gross income divided by the new PITI mortgage payment and also the minimum monthly payments from the applicant's liabilities. The typical debts used to determine the qualifying back-end ratios are the minimum required monthly payments on all the following:

- Auto loans
- Student loans
- Personal loans
- Charge cards
- Child Support
- Alimony
- Federal Tax Lien Repayment Schedules

Note: The standard ratio guidelines may change as per HUD guidelines.

Credit Report

A consumer credit report will be requested from Experian for all applicants 18 years and older. The participants FICO (Fair Isaac Company) score must be 550 or higher.

Section VII- Property and Occupancy

Geographic Boundaries

RLP is only to be given for homes located within West Valley City limits.

Eligible Properties

Eligible properties may be but are not limited to single family homes, town homes, rental properties, condominiums and/or manufactured homes (mobile homes).

All rental units and properties that share a common space such as, but are not limited to town homes, and/or, condominiums must demonstrate and provide evidence that all individuals living in those properties are under the 50% of the median income requirement. In addition, all landlords must demonstrate and provide evidence of the inability to provide the necessary repairs. The owner must also keep the rental unit at an affordable rent (not to exceed the Fair Market Rent) as designated by the Fair Market Rent (FMR) guidelines for the Salt Lake City Metropolitan Area for the entire term of the loan in question. The West Valley City Housing Authority will monitor recipient income, tenant income and the rent amounts for the entire term of the loan.

Inspections

- Housing Quality Standards (HQS) Form HUD-52580
- Lead Based Paint
- Code Enforcement

Section V- Contractors

Required Documents

All contractors will be required to provide verification of the below listed items and keep all required documents and information current:

- Copy of applicable license (State of Utah only)
- Verification of Workman's Compensation
- Verification of Public Liability Insurance

Permits

Contractors are required to obtain all building permits where and when local, state or federal ordinances, laws or regulations require them (even if not specified by the West Valley City Housing Authority in the Work Description or Proposal for Bid Documents).

Bidding Process

Three contractors per project will be asked to offer a bid on a specific property. All contractors will be rotated depending on the skill required to complete a job. All bids will be opened on the due date and time stated on the Work Description. All contractors will be notified of bidding results within one week after bids are due. Contracts will be awarded to the lowest bidder except when the home owner has a valid reason for not wanting to contract with the contractor with the lowest bid. In that case, the homeowner may choose a different contractor within the same bids, but the new contractor chosen must be within ten (10%) of the cost estimate from the lowest bid.

Contract

A contract will be prepared by the West Valley City Housing Authority to be signed by the home owner(s) and the contractor before a notary public. This contract must be signed before the contractor may start any work.

An amount of ten percent (10%) of the contract amount of the loan will be added to the original contract amount and set-aside for any contingencies or problems that may arise during the rehabilitation. Any amount remaining after the contract completion will be returned to the home owner's account as a payment towards the loan.

If, in the course of the rehabilitation, circumstances occur that require additional funding (beyond the amount of the set-aside contingency), a report and addendum will be prepared for the West Valley City Housing Authority Loan Committee's approval. The West Valley City Housing Authority Loan Committee will determine the interest rate for the addendum of additional funds at that time.

Payment

Payment to contractors will be made in the name of the contractor. Contractors are allowed to make two partial draws throughout the period of the contract. The contractor may be eligible to receive up to half of the bid amount prior to completion of the project. The remaining balance will be paid within 30 days after the job is completed and a final inspection has passed.

Termination of Contractors

Contractors, who do not consistently finish contracts within completion time and/or do not have good working relationships with the home owner, may be dropped from the approved Contractor list. A letter of poor conduct will be obtained from the homeowners and retained in the related file. Once a contractor has had two justifiable letters filed against him/her, the contractor will not be allowed to participate in any further activities sponsored by the West Valley City Housing Authority for a period of no less than three years.

The West Valley City Housing Authority has the authority to change and/or update the approved contractor list at any time.

Section VIII- Federal Requirements

See individual categories.

Lead Disclosure

The Grants Technician will be responsible for discussing lead based paint issues and providing the applicant with a “Protect Your Family from Lead in Your Home” booklet. The applicant will sign a form verifying they have discussed and seen the lead information.

Fair Housing Equal Opportunity

The West Valley City Housing Authority will do all business in accordance with the Equal Opportunity Federal Fair Housing Law (Title III of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974).

The West Valley City Housing Authority is an equal opportunity provider. The West Valley City Housing Authority also promotes women and minority owned contractors to participate in the RLP Program.

Section IX- File Requirements

The Grants Technician will keep in the files, at minimum, all required documents which verify compliance with policy requirements such as, but not/limited to:

- Applicant information
- Copies of proof of income

- Copies of income taxes
- Copy of verification of homeowner's insurance
- HQS and Lead Based inspections
- Application interviews
- Copy of trust deeds
- Non Assumption Agreement
- Statement of Completion
- Notice of Opportunity to rescind transaction
- Housing Authority Rehabilitation Agreement With Owner
- Trust Deed Note
- Truth In Lending Disclosure Statement
- Rehabilitation Contract
- Statement of Contractor
- Notice to Contractor & Homeowner
- Order to Proceed
- Bid worksheet
- Applicant's correspondence

The period of record retention for RLP is five years from reconveyance date.

Section X- Complaint and Hearing Procedures

All decisions of the West Valley City Housing Authority are subject to an appeal by any of the parties involved. Owners, applicants, and participants will be informed of their right to appeal any and all decisions made by the West Valley City Housing Authority, the West Valley City Authority Rehabilitation Division, the West Valley City Housing Authority Loan Committee, or any other agents of the West Valley City Housing Authority. Appeals will first be heard in an informal conference with the West Valley City Housing Authority Administrator and other parties involved.

Section XI- Policy Modifications

West Valley City shall have the authority to make modifications to this policy as necessary for the continued implementation of the RLP program, including but not limited to: 1) policy revisions necessary to do a change in the design of the RLP program; and 2) policy changes necessary due to the revisions in the rules and regulations of the HOME and CDBG monies as administered by the U.S. Department of Housing and Urban Development.

Section XII- Monitoring

The Grants Technician will check the RLP files twice a year to monitor continued home ownership compliance. West Valley City has the option to contact new owner and Mortgage Company to request for reimbursement of funds if our lien has not been properly released.